PROVINCE OF SASKATCHEWAN

2010

ANNUAL REPORT

PUBLIC EMPLOYEES
DEFERRED SALARY
LEAVE FUND

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Letters of Transmittal

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the fifteenth Annual Report of the Public Employees Deferred Salary Leave Fund for the year ending December 31, 2010.

Ken Krawetz
Minister of Finance

The Honourable Ken Krawetz
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the fifteenth Annual Report of the Public Employees Deferred Salary Leave Fund for the year ending December 31, 2010.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Public Employees Deferred Salary Leave Fund

Introduction

The Public Employees Deferred Salary Leave Fund was established on April 4, 1989.

The Fund is used to account for the transactions of the Deferred Salary Leave Plan, which allows employees to defer a portion of their salary for a period of twelve to seventy-two months. The deferred salary must then be used in financing a leave of absence for durations of six to twelve months, subject to the approval of the employer and the terms and conditions of the Plan.

The Fund is a prescribed plan pursuant to regulation 6801 of the *Income Tax Act*.

Plan Committee Members

Brian Smith (Chair)
Ministry of Finance (PEBA)

Member – Employer Representative
Denise Bridge
Public Service Commission

Dona Jones
Saskatchewan Legal Aid Commission

Donna McCudden
Public Service Commission

Member – Employee Representative
Dave Stevenson
Valley View Centre
CUPE Local 600

Estes Fonkalsrud
Saskatchewan Legal Aid Commission
CUPE Local 1949

Participating Employers

The following employers participate in The Government of Saskatchewan Deferred Salary Leave Plan:

Enterprise Saskatchewan
Global Transportation Hub Authority (The)
Information Services Corporation of Saskatchewan
Innovation Saskatchewan
Legislative Assembly Service
Liquor and Gaming Authority
Saskatchewan Archives Board
Saskatchewan Human Rights Commission
Saskatchewan Legal Aid Commission
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Water Corporation
Saskatchewan Watershed Authority
Technical Safety Authority of Saskatchewan
The Government of Saskatchewan with respect to the following individuals:
Assistant Chief Electoral Officer
Judges of the Provincial Court
Members of the Public Service of Saskatchewan as defined by *The Public Service Act, 1998*

Administration

The Plan is managed by the Public Employees Benefits Agency, Ministry of Finance.

Canadian Western Trust Company is on contract to provide trustee and investment management services.

The Recordkeeper Inc. is on contract to provide employee statements and recordkeeping services.

Funding

Funding for the Fund is totally employee paid through salary deferrals. The portion of salary deferred is held in trust by the Fund. Accounts are maintained for each participating employee with interest and administrative fees allocated accordingly.

Participation Experience

	2010	2009
# employees participating at December 31	120	120
Deferrals completed during Year	23	26
Withdrawals during year	10	8

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Deferred Salary Leave Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Deferred Salary Leave Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

We enclose the financial statements of the Public Employees Deferred Salary Leave Fund for the year ended December 31, 2010 and the Provincial Auditor's report on these financial statements.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Perry Bahr
Director, Benefit Programs
Public Employees Benefits Agency

Kathy Deck, CGA
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
April 4, 2011

Public Employees Deferred Salary Leave Fund

Financial Statements

Year Ended December 31, 2010

Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Public Employees Deferred Salary Leave Fund, which comprise the statement of net assets as at December 31, 2010, and the statement of changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

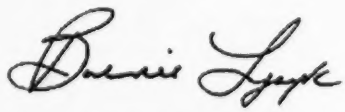
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Employees Deferred Salary Leave Fund as at December 31, 2010, and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
April 4, 2011

Bonnie Lysyk, MBA, CA•CIA
Provincial Auditor

Public Employees Deferred Salary Leave Fund
Statement of Net Assets

Statement 1

As At December 31

	2010	2009
ASSETS		
Contributions receivable	$ 8,740	$ 108,813
Investments (Note 3)	3,319,227	2,828,245
Total Assets	3,327,967	2,937,058
LIABILITIES		
Accounts payable and accrued liabilities	2,105	2,105
Total Liabilities	2,105	2,105
NET ASSETS (Statement 2)	$3,325,862	$2,934,953

(See accompanying notes to the financial statements)

Public Employees Deferred Salary Leave Fund
Statement of Changes In Net Assets

Statement 2

Year Ended December 31

	2010		2009
	Budget (Note 5)	Actual	Actual
INCREASE IN ASSETS			
Contributions	$1,580,000	$ 1,668,810	$1,525,431
Interest revenue (Note 3)	117,000	93,082	91,445
Total increase in assets	1,697,000	1,761,892	1,616,876
DECREASE IN ASSETS			
Redemptions	$1,043,500	$1,277,740	1,155,867
Interest (Note 3)	108,160	84,420	83,108
Service fees	8,840	8,823	8,454
Total decrease in assets	1,160,500	1,370,983	1,247,429
Increase (decrease) in net assets	536,500	390,909	369,447
NET ASSETS, BEGINNING OF YEAR	2,934,953	2,934,953	2,565,506
NET ASSETS, END OF YEAR (Statement 1)	$3,471,453	$3,325,862	$2,934,953

(See accompanying notes to the financial statements)

Public Employees Deferred Salary Leave Fund
Notes to the Financial Statements

December 31, 2010

1. Description of Fund

The Public Employees Deferred Salary Leave Plan (Plan) was established on April 4, 1989 and continues under subsection 64(2) of *The Financial Administration Act, 1993* (Act). The Public Employees Deferred Salary Leave Fund (Fund) is used to account for the transactions of the Plan. Net assets of the Fund represent the accumulated amounts payable to the participants when they take leave of absence or otherwise withdraw from the Fund. The Plan is managed by the Public Employees Benefits Agency (PEBA).

The Plan allows participating employees to defer a portion of their salary for a period of twelve to seventy-two months. The deferred salary must then be used in financing a leave of absence for any reason for durations of six to twelve months, subject to the approval of the employer and the terms and conditions of the Plan. The portion of the participant's salary deferred during the year is recorded as Contributions, and the deferred salary used during the year is recorded as Redemptions.

Plan participants are employees of the Public Service of Saskatchewan, as defined by *The Public Service Act* and certain Saskatchewan Crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council.

The Plan is a prescribed plan under the *Income Tax Act*.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following policies are considered significant.

a) Revenue

Interest is recognized as an increase in assets when earned. Contributions are recognized as an increase in assets when receivable.

b) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

c) Financial Assets and Liabilities

The CICA Handbook Section 3855 establishes standards for recognizing and measuring financial assets and financial liabilities. Financial assets classified as held for trading are measured at fair value and changes in fair value are recognized in increase in net assets for the year.

The Plan has designated its investments as held for trading. The fair value of investments is based on cost, plus accrued investment income, which approximates fair value due to the immediate or short-term nature of these investments. Contributions receivable are designated as loans and receivables. Accounts payable and accrued liabilities are designated as other financial liabilities. The fair value of contributions receivable and accounts payable and accrued liabilities approximates their carrying value due to their immediate or short-term nature.

d) Future Accounting Policy Changes

In December 2009, the Public Sector Accounting Board issued an amendment to the introduction to the Public Sector Accounting (PSA) Handbook. Effective for fiscal years beginning on or after January 1, 2011, other government organizations (OGOs) are directed to PSA standards unless these standards do not meet their users' needs. The Plan has determined the PSA standards are appropriate and will be adopting the PSA Standards for the fiscal year ending December 31, 2011.

3. Investments

The deferred salary is held in Guaranteed Investment Certificates (GIC) deposit accounts maintained for each participating employee. Interest revenue is allocated to individual member accounts based on the weighted average of the interest rates the bank pays for GIC deposits which is 3.09% for 2010 (3.52% in 2009). Each plan participant is also charged a service fee. On December 31, interest for the year is paid to each participating employee.

The Plan has classified its required fair valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3.

The Plan presently holds only financial instruments that are classified as Level 1.

4. Financial Risk Management

The nature of the Plan's operations results in a statement of net assets that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk) and liquidity risk.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Fund's credit risk arises primarily from the following distinct sources:

	2010	2009
Investments	$3,319,227	$2,828,245
Contributions receivable	8,740	108,813

The maximum credit risk to which the Plan is exposed is limited to the carrying value of the financial assets summarized above.

The credit risk for investments is managed through a policy that limits the types of investments that can be held by the Fund. Investments consist of guaranteed investment certificates issued by a Canadian trust company.

The Plan is exposed to minimal credit risk from the potential non-payment of contributions as these receivables are due from government agencies and were collected shortly after year end.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Values can be affected by changes in interest rates. The Fund is exposed to changes in interest rates on its investments. This risk is managed by investing in financial assets of a short-term duration.

Liquidity risk

Liquidity risk is the risk that the Fund is unable to meet its financial obligations as they fall due. The Plan manages this risk by investing in financial assets with a very short term to maturity.

5. Budget

PEBA approves the annual budget for the Fund.